

Affordable Assisted Living: A Demand Without a Supply

A large and growing number of seniors will face triple jeopardy: inadequate income, declining health and mobility, and growing isolation. For some, family supports disappear when they outlive spouses or when children move to a distant place. For others, old age is a time of discovering that, with declining or fixed income, they are simply unable to purchase the goods and services they need.

For those fortunate enough to have caring families nearby, their caregivers may face more stress than they can endure. When family, friends, or caregivers search for help, they often encounter confusing requirements and eligibility standards as well as exorbitant costs. Those in rural areas face a dearth of available services.

*The result of this could be a substantial increase in costly and premature institutionalization of older people. Nursing facilities should be places that care for the very ill; **not** the only alternative for people who cannot afford to live elsewhere.¹*

Defining Affordable Assisted Living

Affordable assisted living in its simplest terms is what people can afford. In Iowa, over fifty percent of the elderly cannot afford what is currently available on the assisted living market. A study completed in May 2001 for the Iowa Finance Authority showed that the average monthly costs ranged between \$1472 and \$2517.² Another indicator of affordability is the percentage of a person's income that is used to purchase rent and utilities. No more than 30 percent of a person's income should apply to a person's housing costs to be considered "affordable."

The Iowa Coming Home program is dedicated to promote the availability of assisted living options for people with incomes at or below 50 percent of area median income. Fifty percent of area median income ranges from \$17,300 to 23,550 in Iowa³. However, one in four Iowans age 75 and older have monthly income at or below \$884.⁴

Because the Medicaid waiver program pays for the costs of personal and medical services only, the cost of rent and board are paid by the tenant. Market rate assisted living programs rarely have rent and board rates below \$800. They were not purpose-built as affordable properties and therefore have capital and staffing costs that significantly exceed this amount.

¹ A Quiet Crisis in America, Report to Congress by the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, June 30, 2002

² Amounts self-reported. Averages based on efficiencies, 1-bedroom and 2-bedroom units. Rents may not include any type of minimal medical care.

³ U.S. Department of Housing and Urban Development

⁴ 2000 U.S. Census Bureau

The Coming Home Program evaluated the need for affordable assisted living for all 99 counties in Iowa. We looked at the current population and projected growth, especially for those people 75 years and older. We looked at this population specifically because when we look at the existing tenants in assisted living programs, they are primarily in their late 70s, 80s and 90s. People age 75+ are more likely to need assistance with activities of daily living such as grooming, bathing, dressing, and medication administration.

Of those people who need this type of assistance some will receive that assistance in their own home, usually with the informal support of family and friends. Others will need the licensed nursing services provided in a nursing home. Assisted living supports those who have a manageable, but chronic health condition. We made a conservative estimate that of people age 75+, five percent (5%) would want to move to an assisted living apartment and receive assisted living services. **Based on this estimate of five percent, Iowa needs 3662 additional units of affordable assisted living to meet the current market demand.**⁵ The demand for affordable assisted living is projected to increase by ten percent (10%) by 2011.

Although the greatest need is for those at or below 50 percent area median income, we can not forget those people who have moderate incomes – too great to apply for subsidized housing yet too little to afford market rate assisted living in their community. Without some type of subsidy from the State or Federal government, this senior will likely move from their home to a nursing facility, quickly going through their existing resources until he or she qualifies for Medicaid Title XIX. Assisted living was not an option.

The Coming Home Program

The State of Iowa was selected by the Robert Wood Johnson Foundation in February 2000 to receive a Coming Home grant. Initially located in the Department of Elder Affairs, the Coming Home program was moved by the RWJ Foundation to the Iowa Finance Authority on July 1, 2002. The grant provides funds through April 2003. The Coming Home Program has three components:

1. Technical assistance is provided to developers and service providers to create demonstrations of affordable assisted living;
2. Public policies are analyzed and suggestions are made on how the State and Federal government can support the growth of affordable assisted living.
3. A revolving loan fund provides for both feasibility assessment and predevelopment capital for nonprofit sponsors of affordable assisted living for low-income seniors.

The Coming Home Task Force provides oversight and assistance to the Coming Home Program. The following organizations are represented on the task force: Iowa Finance

⁵ Five percent estimate is derived from “Assisted Living Program Demand Potential and Need Profiles” established for 99 counties. Profiles are available at www.state.ia.us/elderaffairs/services.aalprofiles.html This estimate takes into account the Iowa Senior Living Trust grant-funded assisted living programs and the Coming Home demonstrations scheduled to be available in the next 12-24 months.

Authority, Housing and Urban Development, USDA-Rural Development, Departments of Human Services, Public Health, Elder Affairs, and Inspections and Appeals, AARP, Iowa Center for Assisted Living, Iowa Association of Homes and Services for the Aging, Iowa Assisted Living Association, and Heartland Properties. By bringing together the expertise of housing and service funding agencies, we are better able to overcome the regulatory intricacies of multiple programs. Although housing and service funders have differing programs and vocabulary, working together to meet the needs of the frail elderly have provided new opportunities to collaborate and find innovative solutions.

How to Develop Affordable Assisted Living

The most intuitive way of providing affordable assisted living is to partner the expertise of a subsidized housing developer and manager with an experienced Medicaid-certified health care entity, such as a home care agency, hospital or nursing facility. These arrangements allow for each partner to comply with their funding source's requirements, without needing to become experts in health care, in the case of the housing provider, or housing, in the case of the service provider.

The needs of the assisted living tenant can further be met by a case manager that can assist in the application process for subsidies while providing oversight of service delivery. Funding of programs, like the Case Management Program for the Frail Elderly (CMPFE), allow seniors to access more federally-funded programs like Section 8 rental assistance, food stamps, and the Medicaid waiver program (state/federal match).

Subsidies Used to Fund Affordable Assisted Living

Assisted living is an apartment with services delivered to the tenants in an organized and regulated fashion. Think of assisted living as “home health care plus,” instead of “nursing home light.” A variety of government subsidies can be combined to make assisted living affordable. Because each subsidy focuses on a specific segment of assisted living, developers look at three different categories in the planning and operations: rent, board and services.

Rent	Board	Services
<i>Development sources⁶:</i> Low Income Housing Tax Credits HUD grants, direct and guaranteed loans USDA-RD grants, direct and guaranteed loans Federal Home Loan Bank affordable housing program HOME funds Senior Living Program grants (pending legislative approval of funds) Conventional loans	<i>Development Sources:</i> Grants from private foundations	<i>Development Sources:</i> Senior Living Program grants (pending legislative approval of funds)
<i>Operational sources:</i> Tenant Section 8 Rental Assistance USDA-RD Project-based Rental Assistance DHS Rent Subsidy Program	<i>Operational sources:</i> Tenant Older Americans Act (congregate meal program) Food Stamps	<i>Operational sources:</i> Tenant Medicaid Waiver Medicaid Title XIX Medicare In-Home Health Related Care Long Term Care Insurance

Reduce Capital Costs

The most significant obstacle to providing affordable assisted living is to find ways to make the costs of rent and board affordable to low income Iowans. Reducing the cost of capital by using equity sources, such as Low Income Housing Tax Credits, or using grants or low-interest loans, developers are able to offer apartments near the fair market rent amounts⁷. In 2002, fair market rent for a 1-bedroom apartment ranged from \$343 to \$481, depending on location. This amount includes both rent and utilities.

The primary approach to constructing quality affordable assisted living programs, while keeping rents affordable, is to reduce the financing costs. A typical market rate program has a mortgage of 70 to 90 percent of the total development cost. Rents set at levels to cover the principle and interest payments are well above what is affordable to elders with incomes at or below 50 percent of area median income. Affordable assisted living developments must access a combination of grants, low-interest or forgivable loans and/or additional equity through the Low Income Housing Tax Credit program to reduce the conventional mortgage to 50 percent or below of total development cost.

⁶ Most of the funding programs are highly competitive and the requests for funds greatly exceed the amount of monies available.

⁷ Established annually by U.S. Department of Housing and Urban Development.

Because of funding limits per project, usually more than one source of development subsidy is needed to make the project affordable. By layering subsidies, the developer must also blend together regulatory requirements of several programs, making the development and operations more complex. Subsidized housing programs establish income limits for tenants, most commonly at 40, 50 or 60 percent of area median income.

Regardless of what source of funding that a developer would choose, when building an assisted living program for low-income elderly, consideration is given from start to finish on how to control the construction costs, how to construct a property that can be operated economically for 30 to 50 years, and what will meet the needs of the surrounding community.

Control Operational Costs

When building a property with the purpose of serving low-income elders, consideration is also given during the planning process on how to control operational costs. Medicaid elderly waiver has a funding cap of \$1052 per month.⁸ While this amount provides significant savings over a nursing facility average monthly payment of \$2903 for the Medicaid program, it comes nowhere close to covering the costs of around-the-clock supervision and delivery of unscheduled care provided by unlicensed personnel in an assisted living program.

Through the planning process, developers look at ways to reduce overall staffing costs. An example is to add additional firewalls so that fewer tenants have to be moved to a place of safety during a fire evacuation therefore reducing the number of staff needed in a building. Construction techniques are also used to improve the energy efficiency of a building.

Further, the developer looks for partnerships to access additional funding sources beyond Medicaid waiver. By partnering with a Medicare and Medicaid certified home health agency, the tenant is able to access Medicare and Medicaid home care benefits, and state-funded In-Home Health Related Care.

Even though there are sources of payment for the health-related services in an assisted living property, there are few sources of payment for the operational costs associated with the social aspects of assisted living. The additional services – referred to most commonly as board – such as activities, meals, and emergency response help prevent tenants from developing conditions that would lead to placement in an institutional setting. Reducing social isolation and depression, and providing adequate nutrition and hydration benefit the elderly and disabled individuals who reside there. The costs of most board services are the responsibility of the tenant. Even with the Medicaid waiver payment, when coupled with the cost of rent, the resulting monthly fees can, and often do, exceed the income of a low-income senior or disabled person.

⁸ The Department of Human Services has six home and community-based waivers, with funding caps ranging from \$621 to \$3311. Each waiver provides consumer-directed attendant care services. Although the caps for the mental retardation, brain injury and AIDS/HIV waivers are higher than the remaining three waivers, the costs of institutional care for these populations are also higher than a nursing facility.

In a demonstration project in Iowa City, Emerson Point's commercial kitchen and expanded dining room will be used as a congregate meal site. Food will be served to the tenants of the assisted living program and seniors from the surrounding community. Iowa City will now have two congregate meal sites to meet a growing demand, and meals will be available seven days a week, compared with five days a week in a traditional congregate mealsite. The mealsite will be managed by the Heritage Area Agency on Aging and funded, in part, using Older Americans Act dollars. This is a creative way of reducing the board costs for tenants, but it is not a broad solution as Area Agencies on Aging struggle with the increasing costs of community-based nutrition programs.

How the Medicaid Home and Community-based Waiver Applies to Assisted Living

Within the Medicaid program, Home and Community-based waivers are used to keep eligible people out of institutions. The State must be able to show that these services do not cost the Medicaid program more than providing care in an institution.

If the State can demonstrate this for a specified population, the federal government may agree to waive some federal requirements for eligibility and amount, duration, and scope of services. Thus, these programs are referred to as Medicaid "waivers."

To be eligible, a consumer must meet various requirements. These include requiring the level of care otherwise provided in an institution, and requiring and receiving at least one home and community-based service quarterly. The consumer chooses to receive services at home. Enrolled consumers are eligible to receive regular Medicaid services. Iowa currently has the following Medicaid waivers: ill and handicapped, mental retardation, elderly, AIDs/HIV, brain injury, and physical disability.

Department of Human Services has a contract with the Iowa Foundation for Medical Care (IFMC) to determine whether the consumer meets the level of care requirement for waiver eligibility. Two different levels of care are evaluated: nursing or skilled. "Nursing" level of care is defined as, "The client requires daily supervision with dressing, grooming, and personal hygiene in conjunction with another daily care need; and/or the client requires limited, extensive or total physical assistance to perform dressing, grooming and personal hygiene." An assisted living program, by rule, can provide part-time or intermittent care. Tenants of an assisted living program can receive up to 28 hours per week of assistance with medications and activities of daily living, and licensed nursing services or professional therapies. Licensed nursing services cannot exceed five days a week or to treat a temporary condition, exceed 21 days in a row.

"Skilled" level of care is defined as, "The client must require skilled nursing services or skilled rehabilitation services; and/or the client must require and receive those skilled services on a daily basis. Nursing services must be provided seven days per week. Therapy services must be provided at a minimum of five days weekly. A combination of therapy and nursing services must be given seven days per week to meet this requirement." An assisted living program cannot provide services at the skilled level.

There has been confusion recently on how individuals who are eligible for “nursing level of care” could receive that level of care in an assisted living program. The confusion lies in how different state agencies use the term. The Department of Human Services uses “nursing” to determine the level of service that a client is eligible to receive, while Department of Inspections and Appeals uses the terms to specify a licensed level of care that is delivered by a nursing facility.

The most commonly used waiver services in assisted living are “consumer-directed attendant care,” also known by the acronym CDAC, and home-delivered meals. CDAC services are service activities performed by a person to help a consumer with self-care tasks that the consumer would typically do independently if the consumer were otherwise able. The consumer or their legal representative is responsible for selecting the person or agency that will provide the services. Examples of CDAC services commonly provided are assistance with dressing, bathing, grooming, housekeeping, and medication administration.

To provide home-delivered meals, the assisted living program must enroll as a provider of this service. If the consumer’s preference is to be served in the common dining room, the meal can be provided at that location. The HCBS waiver can pay for two meals per day/seven days per week.

The combination of all elderly waiver services, including CDAC personal care services and home-delivered meals, cannot exceed \$1052 per month. Since this maximum was set in July 2000, consideration should be given to increase the monthly maximum on an annual basis. Without regular increases in funding, existing providers of Medicaid waiver services may no longer be able to afford the staffing costs associated with provision of services.

What the Legislature can do to Support the Growth of Affordable Assisted Living

- Encourage the preservation, renovation and refinancing of existing affordable and publicly subsidized housing projects and support their potential conversion to service-enriched housing for the elderly and disabled individuals.
- Commit to continue funding of home and community-based services through the Medicaid waiver program. Increase the monthly maximum limits for Medicaid waiver to reflect increases in staffing costs needed to deliver services. Identify opportunities to increase the funding available for home and community-based programming in the areas of housing, nutrition and services, thereby reducing the State’s reliance on institutional-based care. Increase funding of the case management program through the Area Agencies on Aging.
- Give funding preference to flexible programs that can be tailored to meet the needs of the individuals in the community. Application and reporting requirements should be simplified and standardized across multiple programs.

- Establish a demonstration project to create a certification category for a Medicaid-certified health care organization to be the certified assisted living provider in publicly subsidized housing. Publicly subsidized housing already complies with Federal, State and local landlord-tenant laws and life safety codes. Under current law, the housing owner is responsible under their assisted living certificate for the actions of the health care organization. It seems reasonable for the organization that is providing the personal and health care services to hold the assisted living certificate.